

CLINTON AREA FIRE AND RESCUE  
Clinton County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Clinton Area Fire and Rescue	County Clinton
Fiscal Year End March 31, 2008	Opinion Date June 2, 2008	Date Audit Report Submitted to State June 6, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

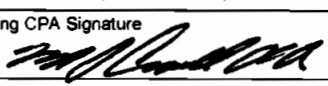
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
		Zip 48707	
Authorizing CPA Signature 		Printed Name Mark J. Campbell	
		License Number 1101007803	

CLINTON AREA FIRE AND RESCUE  
Clinton County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

June 2, 2008

To the Fire Board  
Clinton Area Fire and Rescue  
Clinton County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Clinton Area Fire and Rescue, Clinton County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Fire and Rescue Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Clinton Area Fire and Rescue's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Clinton Area Fire and Rescue, Clinton County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

CLINTON AREA FIRE AND RESCUE  
Clinton County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Clinton Area Fire and Rescue (CAFR) covers the Authority's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled \$333,633.40. Overall total capital assets remained approximately the same.

Overall revenues were \$403,920.57.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Authority and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Authority in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Authority as a whole using accounting methods used by private companies. The statement of net assets includes all of the Authority's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

All of the activities of CAFR are reported as governmental activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Authority's funds, focusing on significant (major) funds are required by law or bond covenants. The Authority board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

During the year, the Authority's financial position remained stable.

CLINTON AREA FIRE AND RESCUE  
Clinton County, Michigan

CONDENSED FINANCIAL INFORMATION  
For the year ended March 31, 2008

	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2007</u>	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2008</u>
Current Assets	27 857	19 031
Capital Assets	<u>1 301 231</u>	<u>1 216 617</u>
Total Assets	<u>1 329 088</u>	<u>1 235 648</u>
Current Liabilities	20 669	607
Non-current Liabilities	<u>1 043 289</u>	<u>901 408</u>
Total Liabilities	<u>1 063 958</u>	<u>902 015</u>
Net Assets:		
Invested in Capital Assets	257 941	315 209
Unrestricted	<u>7 189</u>	<u>18 424</u>
Total Net Assets	<u><u>265 130</u></u>	<u><u>333 633</u></u>
	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2007</u>	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2008</u>
Program Revenues:		
Fees and Charges for Services	401 649	401 812
Operating Grants and Contributions	95 604	-
General Revenues:		
Interest	1 896	841
Miscellaneous	<u>41 063</u>	<u>1 267</u>
Total Revenues	<u>540 212</u>	<u>403 920</u>
Program Expenses:		
Public Safety	483 991	294 040
Interest on Long-Term Debt	<u>46 947</u>	<u>41 377</u>
Total Expenses	<u>530 938</u>	<u>335 417</u>
Increase in Net Assets	9 274	68 503
Net Assets, April 1	<u>255 856</u>	<u>265 130</u>
Net Assets, March 31	<u><u>265 130</u></u>	<u><u>333 633</u></u>

CLINTON AREA FIRE AND RESCUE  
Clinton County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2008

FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS

The Townships are the major contributor to the Authority. Grants, donations, and fees for run reports making up the rest.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Authority paid \$0 for capital assets.

The Authority paid \$141,880.86 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Townships continue to grow so the Fire Department must keep up with growth and changing rules and regulations.

CONTACTING THE AUTHORITY'S MANAGEMENT

This financial report is designed to provide our investors and customers with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the revenues it receives. If you have any questions concerning this report, please contact the CAFR Secretary/Treasurer at 6843 Alward Road, Laingsburg, Michigan, or by calling (517) 651-2094.

CLINTON AREA FIRE AND RESCUE  
Clinton County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	<u>19 031 39</u>
Total Current Assets	<u>19 031 39</u>
NON-CURRENT ASSETS:	
Capital Assets	1 638 389 86
Less: Accumulated Depreciation	<u>(421 772 54)</u>
Total Non-current Assets	<u>1 216 617 32</u>
TOTAL ASSETS	<u>1 235 648 71</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>607 03</u>
Total Current Liabilities	<u>607 03</u>
NON-CURRENT LIABILITIES:	
Notes payable	<u>901 408 28</u>
Total Non-current Liabilities	<u>901 408 28</u>
Total Liabilities	<u>902 015 31</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	315 209 04
Unrestricted	<u>18 424 36</u>
Total Net Assets	<u>333 633 40</u>
TOTAL LIABILITIES AND NET ASSETS	<u>1 235 648 71</u>

The accompanying notes are an integral part of these financial statements.



CLINTON ARE FIRE AND RESCUE  
Clinton County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Public safety	294 040 10	401 812 02	107 771 92
Interest on long-term debt	<u>41 377 26</u>	<u>-</u>	<u>(41 377 26)</u>
Total Governmental Activities	<u>335 417 36</u>	<u>401 812 02</u>	<u>66 394 66</u>
General Revenues:			
Interest			840 68
Miscellaneous			<u>1 267 87</u>
Total General Revenues			<u>2 108 55</u>
Change in net assets			68 503 21
Net assets, beginning of year			<u>265 130 19</u>
Net Assets, End of Year			<u>333 633 40</u>

The accompanying notes are an integral part of these financial statements.

CLINTON AREA FIRE AND RESCUE  
Clinton County, Michigan

BALANCE SHEET – GOVERNMENTAL FUND  
March 31, 2008

	<u>Total (General)</u>
<u>Assets</u>	
Cash in bank	<u>19 031 39</u>
Total Assets	<u>19 031 39</u>
<u>Liabilities and Fund Equity</u>	
Liabilities:	
Accounts payable	<u>607 03</u>
Total liabilities	<u>607 03</u>
Fund equity:	
Fund balance:	
Unreserved:	
Undesignated	<u>18 424 36</u>
Total fund equity	<u>18 424 36</u>
Total Liabilities and Fund Equity	<u>19 031 39</u>

The accompanying notes are an integral part of these financial statements.

CLINTON AREA FIRE AND RESCUE  
Clinton County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUND  
TO THE STATEMENT OF NET ASSETS  
March 31, 2008

TOTAL FUND BALANCE – GOVERNMENTAL FUND	18 424 36
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	1 638 389 86
Accumulated depreciation	(421 772 54)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Notes payable	<u>(901 408 28)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>333 633 40</u>

The accompanying notes are an integral part of these financial statements.

CLINTON AREA FIRE AND RESCUE  
Clinton County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
GOVERNMENTAL FUND  
Year ended March 31, 2008

	<u>Total (General)</u>
Revenues:	
Charges for services – fire protection:	
Bingham Township	120 992 97
Greenbush Township	108 097 63
Victor Township	172 721 42
Interest	840 68
Miscellaneous	<u>1 267 87</u>
Total revenues	<u>403 920 57</u>
Expenditures:	
Public safety:	
Fire protection:	
Salaries, wages and payroll taxes	57 906 74
Supplies	15 705 89
Gas and oil	13 562 51
Telephone	2 927 41
Insurance	34 679 00
Utilities	9 649 03
Building maintenance	15 710 75
Equipment maintenance	7 020 47
Vehicle maintenance	35 373 20
Professional services	6 760 63
Training	5 037 96
Miscellaneous	5 093 28
Debt service	<u>183 258 12</u>
Total expenditures	<u>392 684 99</u>
Excess of revenues over expenditures	11 235 58
Fund balance, April 1	<u>7 188 78</u>
Fund Balance, March 31	<u><u>18 424 36</u></u>

The accompanying notes are an integral part of these financial statements.

CLINTON AREA FIRE AND RESCUE  
Clinton County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES  
Year ended March 31, 2008

NET CHANGE IN FUND BALANCE -- TOTAL GOVERNMENTAL FUND 11 235 58

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(84 613 23)
Capital Outlay	-

Repayment of debt principal is an expenditure in the governmental funds, the  
repayment does not have an effect in the statement of activities but does  
reduce the debt balance in the statement of net assets

Principal payments on long-term debt	<u>141 880 86</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>68 503 21</u></u>
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The accompanying notes are an integral part of these financial statements.

CLINTON AREA FIRE AND RESCUE  
Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of the Clinton Area Fire and Rescue, Clinton County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

**Reporting Entity**

The financial statements of the Authority contain all the Authority funds that are controlled by or dependent on the Authority's executive or legislative branches.

The reporting entity is the Clinton Area Fire and Rescue. The Authority is governed by an appointed Fire Board. As required by generally accepted accounting principles, these financial statements present the Authority as the primary government.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Authority's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

CLINTON AREA FIRE AND RESCUE  
Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The Authority reports only one fund as follows:

- The General Fund is used to record the operations of the Authority which pertain to maintaining and operating the Authority. Included are all transactions related to the approved current operating budget.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Authority. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

The Authority does not levy any property taxes.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Authority as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	10-50 years
Vehicles and equipment	5-20 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Authority provides no post-employment benefits to past employees.

CLINTON AREA FIRE AND RESCUE  
Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Note 2 – Budgets and Budgetary Accounting**

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Fire Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Fire Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Fire Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Fire Board during the fiscal year.

**Note 3 – Deposits and Investments**

Michigan Compiled Laws, Section 129.91, authorizes the Authority to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Fire Board has designated two banks for the deposit of Authority funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.



CLINTON AREA FIRE AND RESCUE  
Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**Note 3 – Deposits and Investments**

The Authority's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>19 031 39</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	20 899 45
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>20 899 45</u>

The Clinton Area Fire and Rescue did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Authority manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds and the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

CLINTON AREA FIRE AND RESCUE  
Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 4 – Capital Assets**

Capital asset activity of the Authority's Governmental activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
<u>Governmental Activities:</u>				
Buildings	226 685 58	-	-	226 685 58
Vehicles and equipment	1 411 704 28	-	-	1 411 704 28
Total	1 638 389 86	-	-	1 638 389 86
Accumulated Depreciation	(337 159 31)	(84 613 23)	-	(421 772 54)
Net Capital Assets	1 301 230 55	(84 613 23)	-	1 216 617 32

**Note 5 – Deferred Compensation Plan**

The Authority does not have a deferred compensation plan.

**Note 6 – Risk Management**

The Authority is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Authority has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 7 – Pension Plan**

The Authority does not have a pension plan.

**Note 8 – Changes in Long-Term Debt**

The following is a summary of the changes in long-term debt:

	Balance 4/1/07	Additions	Deductions	Balance 3/31/08
Note payable – land	100 000 00	-	20 000 00	80 000 00
Note payable – equipment	924 057 81	-	117 454 05	806 603 76
Note payable – vehicle	19 231 33	-	4 426 81	14 804 52
Total	1 043 289 14	-	141 880 86	901 408 28

**Note 9 – Note Payable – Land**

On December 14, 2001, the Authority entered into a contract to purchase land. The contract requires annual payments beginning May 1, 2002, through May 1, 2011, in the amount of \$20,000.00 plus interest at the rate of 4.87% per annum.

CLINTON AREA FIRE AND RESCUE  
Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 10 – Note Payable – Equipment**

The Authority obtained a loan to purchase equipment. The contract requires annual payments beginning May 1, 2004, through May 1, 2013, in the amount of \$153,399.90 including interest at the rate of 3.89% per annum.

**Note 11 – Note Payable – Vehicle**

The Authority obtained a loan to purchase a new rescue vehicle. The contract requires six annual payments in the amount of \$5,369.14 including interest at the rate of 4.9% per annum.

**Note 12 – Subsequent Events – Notes Payable**

On May 1, 2008, the Authority paid off the note payable – land in the amount of \$81,961.86, including accrued interest.

On May 1, 2008, the Authority refinanced the note payable – equipment and the note payable – vehicle by obtaining a new loan from Fifth Third Bank in the principal amount of \$860,000.00, with interest at the rate of 3.79% per annum. The two original notes payable were paid off in the amount of \$852,608.69, including accrued interest.

The repayment schedule is as follows:

<u>Due Date</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Amount</u>
5-1-09	109 580 33	32 594 00	142 174 33
5-1-10	113 733 42	28 440 91	142 174 33
5-1-11	118 043 92	24 130 41	142 174 33
5-1-12	122 517 79	19 656 54	142 174 33
5-1-13	127 161 21	15 013 12	142 174 33
5-1-14	131 980 62	10 193 71	142 174 33
5-1-15	<u>136 982 71</u>	<u>5 191 62</u>	<u>142 174 33</u>
Totals	<u>860 000 00</u>	<u>135 220 31</u>	<u>995 220 31</u>

CLINTON AREA FIRE AND RESCUE  
Clinton County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Charges for services-fire protection:				
Bingham Township	120 992 95	120 992 97	120 992 97	-
Greenbush Township	108 097 61	108 097 63	108 097 63	-
Victor Township	172 721 48	172 721 42	172 721 42	-
Interest	-	839 72	840 68	96
Miscellaneous	-	13 20	1 267 87	1 254 67
Total revenues	<u>401 812 04</u>	<u>402 664 94</u>	<u>403 920 57</u>	<u>1 255 63</u>
Expenditures:				
Public safety:				
Fire protection	224 029 14	219 312 90	209 426 87	(9 886 03)
Debt service	<u>177 782 90</u>	<u>183 352 04</u>	<u>183 258 12</u>	<u>(93 92)</u>
Total expenditures	<u>401 812 04</u>	<u>402 664 94</u>	<u>392 684 99</u>	<u>(9 979 95)</u>
Excess (deficiency) of revenues over expenditures	-	-	11 235 58	11 235 58
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>7 188 78</u>	<u>7 188 78</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>18 424 36</u>	<u>18 424 36</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

June 2, 2008

To the Fire Board  
Clinton Area Fire and Rescue  
Clinton County, Michigan

We have audited the financial statements of the Clinton Area Fire and Rescue for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Clinton Area Fire and Rescue in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Fire Board  
Clinton Area Fire and Rescue  
Clinton County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

#### **SEGREGATION OF DUTIES**

The Fire Department's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Fire Department cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Fire Department Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Fire and Rescue Board's financial statements and this communication of these matters does not affect our report on the Fire and Rescue Board's financial statements, dated March 31, 2008.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants